



**Council
Communication**
Office of the City Manager

Date

June 19, 2006

Agenda Item No. 42

Roll Call No. 06-

Communication No. 06-376

Submitted by: Allen McKinley, Acting Finance Director

AGENDA HEADING:

Approving Annual Insurance Renewal for Property and Casualty Insurance with Jester Insurance Services, Inc, effective July 1, 2006.

SYNOPSIS:

Recommend approval to renew annual property and casualty insurance with Jester Insurance Services, Inc. (303 Watson Powell, Jr. Way, Des Moines, IA 50309, Robert E. Jester, President) in order to take advantage of more competitive rates. The total premium for the July 1, 2006 renewal of property and casualty insurance coverages is \$1,010,002. This represents a savings of \$143,224, or 12.4 percent, from last year's renewal of \$1,153,226 for the same coverages. This compares to the 1.8 percent decrease experienced at last year's renewal. Staff recommends approval of the attached Schedule of Insurance.

FISCAL IMPACT:

Amount: \$ 1,010,002

Funding Source: 2006-2007 Operating Budget:

- Tort Fund – Tort Liability GE005 FIN940500, Page 195.
- Parking Operations Fund – T&T Parking Administration EN051 ENG100701, Page 233.
- Solid Waste Operations Fund – Solid Waste Collection EN151 PWK100101, Page 258.
- Solid Waste Operations Fund – Curbside Recycling EN151 PWK100119, Page 260.
- Solid Waste Operations Fund – Compost EN151 PWK100104, Page 259.
- Sanitary Sewer Operations Fund – Des Moines – Sanitary Sewer Maintenance EN101 PWK071000, Page 241.
- Storm Water Utility Operations Fund – Des Moines- Storm Sewer Maintenance EN301 PWK071600, Page 269.
- Golf Operations Fund – Golf – Grandview EN201 PKS010704, Page 220.
- Golf Operations Fund – Golf – Waveland EN201 PKS010707, Page 221.
- Golf Operations Fund – Golf – A.H. Blank EN201 PKS010701, Page 219.
- Des Moines Public Housing Agency Fund – Housing Services – Administration SP350 HSG010000, Page 223.
- Airport Operations – Building Maintenance EN002 AIR040400, Page 209.
- Special Revenue Funds – Other Employee Benefits SP451 HRS961000, Page 309.

The proposed renewal premium of \$1,010,002 is \$312,427 less than the \$1,322,429 budgeted to fund this renewal. Of the \$1,010,002 in total renewal premium, \$976,294 is allocated between General Fund and Enterprise Fund operations. The remaining \$33,708 represents policies specific to the General Fund. Of the \$976,294 that is allocated, \$578,171, or 59.2 percent, is allocated to Enterprise Funds and \$398,123, or 40.8 percent, to the General Fund. The insurance coverage provided to the WRA by 28E Agreement is allocated on the same basis as if the WRA were an Enterprise Fund of the City. The WRA's portion of the \$578,171 is estimated to be \$155,054, or 28.6 percent.

ADDITIONAL INFORMATION:

To provide an incentive to insurance carriers to competitively quote City insurance coverages, the City annually markets about one-third of its property/casualty insurance coverages and maintains coverage with those carriers for about three years. This practice creates and maintains a competitive environment for placing insurance by generally assuring carriers three years of City business. However, if market changes occur that can offer savings to the City without diminishing the City's insurance coverage, the City will go to market on a line of coverage in less than three years.

Last year, the City marketed Excess Liability Insurance coverage. However, because of market changes since that time, staff chose to market Excess Liability again this year. This has resulted in: (1) a reduction in premium to both the General Fund and Enterprise Funds, (2) replacement of the Enterprise Funds' \$75,000 self-insured retention with a \$3,000 per occurrence deductible and (3) broader overall insurance coverage which reduces the City's potential exposure to loss. In addition to Excess Liability Insurance, the City is renewing its Property Insurance, Airport Liability Insurance, Crime Insurance, Flood Insurance, HazMat/Mutual Aid Occupational Injury Insurance and Excess Workers Compensation Insurance coverages (descriptions of each are included below). These coverages will remain with the current carriers.

The following is a brief description of this year's renewal highlighting coverages and changes that have most significantly impacted the coverage being provided and the premium being charged:

Excess Liability Insurance:

Currently, the City's Excess Liability Insurance coverage provides for a per occurrence (incident) limit of \$10,000,000 and an aggregate (policy maximum) limit of \$20,000,000. The City's per occurrence self-insured retention (like a deductible) is \$2,000,000 for all operations other than the following Enterprise Fund operations: Solid Waste Collection and Recycling, Sanitary Sewers, Storm Water Utility and for Airport vehicles when driven off Airport premises. Each of these Enterprise Funds carries a self-insured retention of \$75,000 per occurrence. Absent the ability to levy taxes to satisfy catastrophic losses, the lower self-insured retention protects self-sustaining Enterprise Funds from such losses. However, as a result of marketing Excess Liability again this year, the City has been able to replace the Enterprise Funds' \$75,000 self-insured retention with a primary insurance policy that includes a per occurrence deductible of \$3,000. The net result of this change includes decreasing Enterprise Fund exposure to budgetary losses, broader coverage to the General Fund and premium savings to both the General Fund and Enterprise Funds.

Excess Workers Compensation Insurance:

The City purchases Excess Workers Compensation Insurance to cover losses that exceed the City's \$450,000 per claim self-insured retention. This policy covers, up to Iowa Statutory Limits, the

indemnity (lost time wages and non-medical expenses) and medical expenses related to occupational injuries incurred by City employees, with the exception that only medical expenses are covered for sworn Police and Fire Department employees. Only medical expenses are included for Police and Fire because their indemnity expenses are covered under Chapter 411 of the Code of Iowa. Indemnity losses are funded through the Municipal Fire & Police Retirement System of Iowa to which the City is required to make financial contributions equal to a state-mandated percentage of salaries paid sworn Police and Fire personnel.

HazMat/Mutual Aid Workers Compensation Insurance:

The distinction between the HazMat/Mutual Aid Occupational Injury Insurance and the Excess Workers Compensation Insurance policies is that the HazMat/Mutual Aid insurance covers Fire Department personnel when they respond to mutual aid requests. This coverage extends from the time Fire Department personnel leave their station to the time they return. The cost of this coverage is apportioned to those counties having 28E Agreements with the City for these services. Therefore, this coverage is cost-neutral to the City. The City's Excess Workers Compensation Insurance covers Fire Department personnel when responding to City HazMat and Fire service needs within the City's limits.

Property Insurance:

The increase in the Property Insurance premium is primarily due to the addition of the new Central Library, the Agrimergent Technology Storm Water pumping station, the Greenhouses at Chesterfield and a two percent increase in the overall replacement value of all property to account for inflationary influences on construction costs. The total replacement value of City property increased from \$637,275,695 last fiscal year to \$690,661,010 this fiscal year, or \$53,385,315. Of this increase, \$32,000,000 is associated with the construction cost of the new Central Library. The City has a per occurrence deductible of \$100,000, with the exception of the Armory Building, City Hall, Birdland Aquatic Center, Birdland Pool Filter Building, Animal Shelter and Main Library (until such time as other arrangements are made for its use). Because these locations were affected by the "Flood of '93" and are located on the City's levy system, the per occurrence deductible is \$500,000 for each of these facilities.

Flood Insurance:

To cover the additional per occurrence Property Insurance deductible of \$500,000 on the six facilities listed above, the City purchases flood insurance through the National Flood Insurance Program.

Airport Liability Insurance:

The City carries Airport Liability Insurance to cover all Airport operations, except off-premise vehicle use which is covered under the Excess Liability policy as described above. The policy has a per occurrence and aggregate limit of \$200,000,000 with a \$10,000 deductible. The Airport Board received and voted to recommend approval of the renewal policy on June 6, 2006 (see attached Airport Board Resolution).

A Schedule of Insurance is provided below indicating each line of coverage being renewed, the insurance carrier being recommended by staff, a comparison of last year's premium to this year's premium and the difference between the two.

	<u>FY 05-06</u>	<u>FY 06-07</u>	<u>+(-)</u>
1. Special Excess Liability Insurance *(Everest National Insurance Co.)	\$ 465,900	\$202,930	(\$262,970)
2. Auto Liability Insurance (EFs listed above)	\$ -0-	\$ 80,032	\$ 80,032

*(St. Paul/Travelers Insurance Co.)

	<u>FY 05-06</u>	<u>FY 06-07</u>	<u>+(-)</u>
3. Airport Liability Insurance *(AIG Aviation)	\$ 136,012	\$ 133,531	(\$ 2,481)
4. Property Insurance *(Chubb Group – Federal Insurance Co.)	\$ 382,809	\$ 415,000	\$ 32,191
5. Crime Insurance *(Travelers Insurance Co.)	\$ 5,245	\$ 5,245	\$ -0-
6. Flood Insurance *(National Flood Insurance Program)	\$ 17,961	\$ 18,872	\$ 911
7. HazMat/Mutual Aid *(American International Group – AIG)	\$ 14,820	\$ 14,836	\$ 1,271
8. Excess Workers Compensation Insurance *(Safety National Casualty Corp)	<u>\$ 130,479</u>	<u>\$ 139,556</u>	<u>\$ 9,077</u>
Total	\$1,153,226	\$1,010,002	(\$141,969)

* Recommended insurance carrier

PREVIOUS COUNCIL ACTION(S):

Date: June 20, 2005

Roll Call Number: 05-1534

Action: Annual Insurance Renewal for July 1, 2005 Property and Casualty Insurance with Jester Insurance Services, Inc. (Council Communication No. 05-365) Moved by Kiernan to adopt. Motion Carried 6-1.

BOARD/COMMISSION ACTION(S):

Date: June 6, 2006

Roll Call Number: A06-110

Action: Airport Board hereby recommends to the City Council acceptance of the July 1, 2006 renewal premium quote from American International Group in the amount of \$133,531. Moved by Erickson to adopt. Motion carried 6-1.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Annual Property and Casualty Insurance Renewal for July 1, 2007.